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INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE PRIORITY

RUCNCIS/CIS COLLECTIVE PRIORITY

RUCNMEM/EU MEMBER STATES COLLECTIVE PRIORITY

RUEHAK/AMEMBASSY ANKARA PRIORITY 5264

RUEHBJ/AMEMBASSY BEIJING PRIORITY 2998

RUEHKO/AMEMBASSY TOKYO PRIORITY 2863

RUEHIT/AMCONSUL ISTANBUL PRIORITY 3508

RHMFIS/CDR USCENTCOM MACDILL AFB FL PRIORITY

RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY

RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY

RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

RUEHBS/USEU BRUSSELS PRIORITY

RHEHNSC/NSC WASHDC PRIORITY

RHEFDIA/DIA WASHDC PRIORITY

RUEAIIA/CIA WASHDC PRIORITY

RUEKJCS/JOINT STAFF WASHDC PRIORITY

RUEKJCS/SECDEF WASHDC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 03 ASHGABAT 000694

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ENERGY FOR EKIMOFF/THOMPSON

COMMERCE FOR HUEPER

E.O. 12958: DECL: 06/05/2019

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SUBJECT: TURKMENISTAN: PRESIDENT STATES HIS INTENT TO
EXPAND COOPERATION WITH UNITED STATES

Classified By: Charge Richard Miles, reasons 1.4 (b) and (d).

11. (C) Summary. The first meeting between President Berdimuhamedov and newly appointed Special Envoy for Eurasia Energy Morningstar went quite well. Prospects for the American energy companies were explored and Berdimuhamedov made clear his intent in expanding cooperation with the United States including in the energy sector. He is dispatching his Foreign Minister to the U.S. and he repeated his own desire to visit America "this year." He said he welcomed visits to Turkmenistan by the Secretary and President Obama. End summary.

12. (C) Special Envoy for Eurasian Energy Richard Morningstar accompanied by Charge Miles met with President Berdimuhamedov on May 29 to discuss energy-related issues. President Berdimuhamedov was accompanied by Deputy Chairman for International Relations, Foreign Minister Meredov. Noting that he had met with the Secretary just before departing for Turkmenistan, Morningstar passed greetings to Berdimuhamedov and Meredov from President Obama and the Secretary. He informed Berdimuhamedov that while he used to visit Turkmenistan frequently, it had been ten years since his last visit. One of the hallmarks of the new Obama administration, he said, was a willingness to listen. "We are not here to preach," he said. "We are here to listen to you and to seek your advice on how to proceed to reanimate the relationship." Berdimuhamedov said that listening was the best and most simple method to develop the already good relationship further. "We are grateful for these kind words from the new administration," he said, and he asked Morningstar to convey his greetings to the President and the Secretary.

13. (C) Berdimuhamedov said that while he wanted to focus on energy issues, he did want to note favorably the development of good bilateral relations in other spheres of activity as well: education, the Fulbright and other programs and the Peace Corps, among other things. He noted also the

significant purchase of John Deere and Case agricultural equipment and Boeing aircraft. Berdimuhamedov touched on Turkmenistan's good relations with its neighbors and also on the steps which Turkmenistan had taken to protect itself during the global economic crisis.

Energy Issues

14. (C) There is one issue, however, said Berdimuhamedov, where we always wind up in a blind alley (tupik) and that is) hydrocarbons. Berdimuhamedov recounted the old story of his frustration over the fact that, at the Tehran Summit in 2007, he received no support for his proposal on Caspian delimitation. This recitation of events was predictably followed by an account of threatening Azeri military naval activity in the Caspian three days before Berdimuhamedov was scheduled to go to Baku for talks with President Aliiev. "Our ideas had been destroyed," said Berdimuhamedov, "but I went to Azerbaijan anyhow." "I told President Aliiev that I didn't understand these childish games and that I was in Azerbaijan on behalf of the people of our two countries. But the train had already left the station," Berdimuhamedov concluded.

15. (C) Berdimuhamedov then summarized Turkmenistan's energy policy:

- We sell gas at the State border.
- As much gas as is needed by our customers, they will have it.
- In order to develop our own resources, we will not allow

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foreign companies to have production sharing agreements (PSAs) onshore (the arrangement with China is the only exception to this, said Berdimuhamedov, and that is to allow them to construct their pipeline).

- We want to attract all manner of foreign companies to provide service agreements. In this context, Berdimuhamedov mentioned his meeting with senior executives from Chevron and Honeywell.

- And, he concluded, we are interested in mutual work with foreign companies in refining.

The Russians

16. (C) In the middle of the above description of Turkmen energy policy, Berdimuhamedov embarked on a digression concerning the Russians. We proposed several variations of cooperation with the Russians, he said, but they didn't want to build the "West-East" pipeline according to Turkmenistan's terms, so the government put out an international tender on it. They agreed on a fixed price for Turkmen gas and when they couldn't pay) there was an explosion in the pipeline. "So I closed the pipeline," Berdimuhamedov said rhetorically, "and I told them to please get out of our pipeline. We'll export directly." The President said that a Russian official (not identified) had said at some point in the past, "If you Turkmen don't sell your gas to us, you can eat the sand in the Kara Kum Desert!" Anyhow, Berdimuhamedov concluded, "life and time" will show how we will widen our cooperation. We are at the first stage now, he said, but we have begun.

The Azeri

17. (C) Ambassador Morningstar said that diversification was a very wise policy. He noted that he had been personally involved in energy-related negotiations between former Presidents Aliiev and Niyazov. "I know how difficult this can be," he told Berdimuhamedov. Morningstar said that when he had met with the present President, Ilham Aliiev, the latter had spoken very highly of his relationship with Berdimuhamedov and of his admiration for him.

18. (C) Perhaps it will be difficult to reach a comprehensive, "legal" agreement with the Azeris, Morningstar told Berdimuhamedov; but maybe a pragmatic, business

relationship can be reached. If we can help, said Morningstar, we would be happy to do so.

PSAs) And Service Agreements

¶9. (C) Morningstar said that many countries did not like PSAs. The major American energy companies do understand this and they are willing to enter into other forms of agreement with Turkmenistan which would conform to the law on hydrocarbons of Turkmenistan. What the American companies do want, said Morningstar, is predictability and long term contracts. They are not so concerned with these complicated pipeline issues, rather they believe that with increasing production, the pipeline issues will solve themselves. And they have the safe and proven technology and experience which can help the country increase its production.

The U.S. Approach

¶10. (C) Let's continue to develop our dialog on energy issues, said Morningstar. The Department of Energy (DOE) is doing a conference on pipeline management in June. We have many programs to encourage exchange of business and professional people. We won't have American officials coming to Ashgabat telling you, "You must do this! You must do

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that!" What we want is a dialogue, Morningstar said.

Berdimuhamedov's Response

¶11. (C) Berdimuhamedov said he appreciated the objective approach laid out by Ambassador Morningstar. I do have a good relationship and good contact with President Aliev, he said, asking Morningstar to convey his greetings to Aliev. In short, he said, Turkmenistan is ready to provide its resources across the Caspian; Azerbaijan has clearly stated that it is ready to serve as a transit country; all we need is someone "brave enough" to implement this general Azeri-Turkmen agreement. Maybe the Western companies can serve as a "bridge" in this context. Maybe there could be some involvement from Iran or Russia.

¶12. (C) Theoretically, said Berdimuhamedov, I agree with your (Morningstar's) approach. Let the American companies start work in Turkmenistan. In a few years we can look at our law on hydrocarbons. Maybe we can reconsider it. We will seriously consider these proposals, said Berdimuhamedov. Let us proceed on a "step by step" basis. As a first step, perhaps we could buy technology and ask the assistance of the American companies in training our people to use it. If this proves satisfactory, we would return to the issues you (Morningstar) raised.

Importance of visits) and an invitation

¶13. (C) We want to expand our relationship with America, said Berdimuhamedov. When it is convenient for the Secretary and President Obama to visit Turkmenistan and the region, we welcome them. A high-level visit might help solve several problems of regional significance. The Foreign Minister is off to Europe) and to the United States; hopefully, he can meet with representatives of the business community on these trips. I hope to visit the U.S. this year myself, Berdimuhamedov concluded, adding emphatically, "We need to move from words to deeds!" "We need to realize the possibilities we have for the benefit of producer and consumer alike."

¶14. (C) Comment: Berdimuhamedov was in fine form, expansive and still in the forthcoming mode we have noticed ever since the gas explosion with Russia six weeks or so ago. He seemed to develop an instant bond with Morningstar which, hopefully, will bode well for future discussions on energy issues. Whether the American companies will remain hung up on the issue of onshore PSAs remains to be seen. If we can

get beyond the "A rose is a rose is a rose" philosophy which has prevailed until now, American companies might be able to do some serious business in this country. End comment.

115. (U) Ambassador Morningstar has cleared this cable.
MILES